

CELL THERAPEUTICS INC
Form 10-Q
November 09, 2006
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: September 30, 2006

OR

.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 001-12465

CELL THERAPEUTICS, INC.

(Exact name of registrant as specified in its charter)

Washington
(State or other jurisdiction of
incorporation or organization)
501 Elliott Avenue West, Suite 400

91-1533912
(I.R.S. Employer
Identification No.)
98119

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Seattle, Washington
(Address of principal executive offices)

(206) 282-7100

(Zip Code)

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Outstanding at October 31, 2006
Common Stock, no par value	144,652,751

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CELL THERAPEUTICS, INC.

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Table of Contents**CELL THERAPEUTICS, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(In thousands, except share amounts)**

	September 30, 2006 (unaudited)	December 31, 2005
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 16,128	\$ 50,022
Restricted cash	57	25,596
Securities available-for-sale	51,329	18,858
Interest receivable	645	187
Accounts receivable, net	339	2,306
Prepaid expenses and other current assets	11,062	10,107
Total current assets	79,560	107,076
Property and equipment, net	9,013	12,278
Goodwill	17,064	17,064
Other intangibles, net	1,799	2,239
Other assets	13,550	16,783
Total assets	\$ 120,986	\$ 155,440
LIABILITIES AND SHAREHOLDERS DEFICIT		
Current liabilities:		
Accounts payable	\$ 6,087	\$ 3,370
Accrued expenses	23,113	17,558
Current portion of deferred revenue	80	80
Current portion of long-term obligations	2,701	2,880
Current portion of convertible senior notes		6,900
Total current liabilities	31,981	30,788
Deferred revenue, less current portion	498	558
Long-term obligations, less current portion	5,242	7,326
7.5% convertible senior notes	50,409	
6.75% convertible senior notes	6,954	72,146
Convertible senior subordinated notes	82,557	122,079
Convertible subordinated notes	28,490	29,640
Commitments and contingencies		
Shareholders' deficit:		
Preferred stock, no par value:		
Authorized shares - 10,000,000		
Series C, 100,000 shares designated, none issued or outstanding		
Common stock, no par value:		
Authorized shares - 200,000,000		
Issued and outstanding shares - 137,073,731 (unaudited) and 73,421,721 at September 30, 2006 and December 31, 2005, respectively	843,600	721,544
Deferred stock-based compensation		(1,669)
Accumulated other comprehensive loss	(1,055)	(1,683)
Accumulated deficit	(927,690)	(825,289)

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Total shareholders' deficit	(85,145)	(107,097)
Total liabilities and shareholders' deficit	\$ 120,986	\$ 155,440

See accompanying notes.

Table of Contents**CELL THERAPEUTICS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(In thousands, except per share amounts)****(unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Revenues:				
Product sales	\$	\$ 1,190	\$	\$ 14,599
License and contract revenue	20	101	60	300
Total revenues	20	1,291	60	14,899
Operating expenses:				
Cost of product sold		60		518
Research and development	14,809	13,340	46,516	55,582
Selling, general and administrative	9,032	12,500	27,452	49,475
Amortization of purchased intangibles	200	236	588	731
Restructuring charges and related asset impairments	25	5,077	367	7,049
Gain on divestiture of TRISENOX		(30,500)		(30,500)
Total operating expenses	24,066	713	74,923	82,855
Income (loss) from operations	(24,046)	578	(74,863)	(67,956)
Other income (expense):				
Investment and other income	607	414	1,843	1,326
Interest expense	(3,552)	(2,955)	(16,888)	(10,842)
Foreign exchange gain (loss)	(115)	(104)	997	98
Make-whole interest expense	(213)		(24,753)	
Gain (loss) on derivative liabilities	(879)		5,204	
Gain on exchange of convertible notes			7,978	
Settlement expense			(1,919)	
Loss on extinguishment of royalty obligation		(6,437)		(6,437)
Other expense, net	(4,152)	(9,082)	(27,538)	(15,855)
Net loss	\$ (28,198)	\$ (8,504)	\$ (102,401)	\$ (83,811)
Basic and diluted net loss per share	\$ (0.25)	\$ (0.13)	\$ (1.00)	\$ (1.32)
Shares used in calculation of basic and diluted net loss per share	111,560	63,515	102,132	63,385

See accompanying notes.

Table of Contents**CELL THERAPEUTICS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(In thousands)****(unaudited)**

	Nine Months Ended September 30,	
	2006	2005
Operating activities		
Net loss	\$ (102,401)	\$ (83,811)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	4,850	7,426
Equity-based compensation expense	3,579	2,516
Loss on disposition of property and equipment	91	83
Amortization of investment premium	85	271
Non-cash gain on exchange of convertible notes	(7,978)	
Non-cash gain on derivative liabilities	(5,204)	
Non-cash interest expense	10,445	719
Asset impairments		2,563
Gain on divestiture of TRISENOX		(30,500)
Loss on extinguishment of royalty obligation		6,437
Non-cash rent (benefit) expense	(11)	135
Loss on sale of investment securities		14
Changes in operating assets and liabilities:		
Restricted cash	877	
Interest receivable	(458)	48
Accounts receivable, net	1,532	(1,855)
Inventory		4
Prepaid expenses and other current assets	3,182	1,443
Other assets	103	(1,029)
Accounts payable	(1,480)	(3,433)
Accrued expenses	3,084	(8,703)
Deferred revenue	(60)	1,568
Excess facilities obligations	(1,913)	4,675
Other long-term obligations	(416)	3,740
Total adjustments	10,308	(13,878)
Net cash used in operating activities	(92,093)	(97,689)
Investing activities		
Net proceeds from divestiture of TRISENOX		67,061
Purchases of securities available-for-sale	(57,635)	(26,922)
Proceeds from maturities of securities available-for-sale	25,113	13,494
Proceeds from sales of securities available-for-sale		15,815
Purchases of property and equipment	(472)	(1,946)
Proceeds from sale of property and equipment	511	
Net cash provided by (used in) investing activities	(32,483)	67,502
Financing activities		

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Sale of common stock, net of offering costs	37,903
Proceeds from issuance of 7.5% convertible senior notes, net	31,177
Release of restricted cash related to 6.75% convertible senior notes	24,712